**COMMITTEE ON THE BUDGET**
**MAJORITY CAUCUS**
**U.S. House of Representatives**
**106th Congress — Washington, DC**

## EARLY WARNING TALKING POINTS
## ON ADMINISTRATION BUDGET PROPOSAL

# SCHOOL CONSTRUCTION

### BACKGROUND

In his budget for fiscal year 2001, the President is expected to present an expanded version of his school construction proposal to include a new $1.3-billion appropriation for school modernization and renovation loans and grants. In addition to this new initiative, the President has once again proposed allowing States and school districts to issue $24.8 billion worth of zero-interest school modernization bonds.  Purchasers of these bonds would receive annual Federal income tax credits in lieu of interest payments to finance public school construction or rehabilitation. The projected cost to the taxpayer would be $3.7 billion over 5 years, according to the administration's Office of Management and Budget.

### KEY POINTS

< Before creating any new programs or spending additional funds, we should meet previous mandates created by Democrat congresses. Meeting the Federal Government's special education and Impact Aid commitments would free up local dollars to hire more teachers and repair schools.

  - The Federal Impact Aid program provides funding for building and renovating schools in districts that educate "federally connected" children, such as those whose parents live or work in military installations and Indian reservations.

  - The Individuals with Disabilities Education Act [IDEA] sets the Federal funding commitment at 40 percent of the State's special education costs. The current funding covers only 12 percent.

- Joyce Benjamin, Oregon's assistant superintendent stated: "We are talking about new Federal funding when we haven't fully funded" the Individuals with Disabilities Education Act [IDEA].

< The President's initiative is, again, creating a new program so that the Federal Government can expand its influence over education, an area that has traditionally been reserved to State and local school districts.

- In 1998, public school districts completed $15.5 billion in school construction. (1999 School Planning and Management Construction Report)

- Massachusetts Education Commissioner Robert Antonucci explained, "If we had a choice, I don't think we'd want the Federal Government to be in the facilities business," because there are other, more pressing priorities. "If we had a choice, we'd say give the money to IDEA, but we might not have a choice. (*Education Daily*, November 12, 1996)

< A recent study published by the Educational Testing Service found that increases in capital spending do not raise student achievement. ("When Money Matters," Harold Winglensky. May, 1997)

< The President has flip-flopped on this issue. He urged Congress to rescind "Education Infrastructure Act" construction funds for fiscal year 1995, and his fiscal year 1996 budget request stated: "The construction and renovation of school facilities has traditionally been the responsibility of State and local governments, financed primarily by local taxpayers; we are opposed to the creation of a new Federal grant program for school construction." (Department of Education Fiscal Year 1996 Budget Justification)

< The President vetoed the Taxpayer Refund and Relief Act of 1999, which included several proposals to make it easier and less expensive for *local* districts to fix their crumbling public schools through new construction and renovation.

- The Act's school construction provisions would "relax" the public bond regulations so State and local governments would face lower costs and have greater flexibility to build and renovate their schools. The proposals would allow States 4 years instead of 2 to begin construction and grant more freedom to invest the money before construction began.

- Local communities could keep more of the money they raised for school construction rather than turning it over to Washington at tax time. Ultimately public schools would have more money for new schools, more teachers, and up-to-date classroom supplies.

**WASTE, FRAUD, ABUSE, AND MISMANAGEMENT**

< An Ernst & Young audit of the Department’s fiscal year 1998 financial statements found that – for the 3rd year in the past 4 – *the Department could not reliably account for the billions of dollars it spends.*

< This is important because, as the General Accounting Office [GAO] put it: “The Department’s inability to prepare reliable, year-end financial statements . . . is evidence that Education cannot provide reliable information about its operations on a day-to-day basis.” Some specifics:

- The audit found discrepancies as large as $6 billion dollars in the financial statements that the Department could not explain.

- The Department had to make more than 700 ad hoc adjustments in the statements to make the numbers add up.

- The Department could not reconcile its records with cash transactions of the Treasury Department.

- The Department purchased a dysfunctional accounting system. As a result, auditors had to dig through records by hand to come up with year-end balances that should have been produced automatically.

< The Department’s computer systems have failed security requirements. GAO elaborated as follows:

- Weak computer security measures “place critical Education operations, such as financial management and sensitive loan and grant systems, at increased risk of unauthorized access and disruption.”

- “Sensitive financial transaction data are vulnerable to inadvertent or deliberate misuse, fraudulent use, improper disclosure, or destruction, possibly occurring without detection.”

For this and other information on administration budget proposals, see the House Budget Committee’s web page at www.house.gov/budget